

Meeting Information

Meeting Name: Capital Leases
Scribe: DeVal Lott
Facilitator: Lynn Stein
Date: June 21, 2005
Time: 10:00am – 11:00am
Location: Suite 1612 West Tower

Invitees/Attendees

+ In attendance, - Absent, # Substitute, *Other

	Name	Organization/Department	Substituting For
+	Michael Joyner	SAO	
+	Bart Haberbosch	SAO	
+	Lynn Vellinga	SAO	
+	Derek Barber	SAO	
+	Thomas Clark	Accenture	
	Project Staff		Role
+	Lynn Stein	Accenture	AM Lead

Agenda

Item No.	Topic	Presenter
1.	Capital Leases for Governmental Agencies	Lynn Stein/Derek Barber
2.	Capital Leases for Property Management Agencies	Lynn Stein/Derek Barber

Meeting Summary

Agenda Item No.	Main Points, Conclusions/Discussions, Decisions, Next Steps, Issues, New Action Items
1	<p>Capital Leases for Governmental Agencies</p> <p>Capital Leases are not entered in PeopleSoft 7.02 by all agencies in a standardized or consistent manner. Agencies may be keeping track of leases outside of PeopleSoft in various different tracking methods..</p> <p>A meeting was held to discuss how to perform capital leases in version 8.8. From this meeting, a model was developed that automatically created capital lease entries in the system.</p> <p>Notes:</p> <ul style="list-style-type: none">• Roll out process as requirement for upgrade• Proprietary funds processing is automated• No modifications required from governmental accounting standpoint• The AM module creates entries correctly if there is only one ledger. Manual entries would need to be entered for other ledgers• Set up a non-budget account, example: 900XXX• Three manual journal vouchers would need to be entered by the agencies to create entries to the three ledgers: Actuals, Full Accrual and Statutory• Training would need to be performed relating to journal vouchers• Fair Market Value and interest will be entered as part of the Lease Add.• See chart of examples at the end of this summary

Agenda Item No.	Main Points, Conclusions/Discussions, Decisions, Next Steps, Issues, New Action Items
2	<p>Capital Leases for Proprietary Agencies</p> <p>This is the PeopleSoft approach to capital leases.</p> <p>Notes:</p> <ul style="list-style-type: none"> • Profile ID drives the ledger entries in the AM module • AM generates an amortization schedule • AM module has the capability to verify whether lease is a capital or operating based on values entered during Lease Add.. • Operating leases should not create accounting entries. No depreciation generated • There is no linkage from Asset Management to be able to send amortization schedules directly to AP. • There is a link from Accounts Payables to Asset Management in order to send items tagged as assets directly to AM. • In order to implement the proposed AM accounting design there will be new manual processes to perform offsets to multiple ledgers. This will be handled as training and process re-design. A CR will be created to document and assess impact. • See chart of examples at the end of this summary

Action Item Review

Action Item (AI) No.	Date Open	Description	Action/Response
AI1.	6/21/05	Move funds from non-current to current.	<p>Research how to move funds from non-current account to current account.</p> <p>Response: Delivered functionality does not perform any type of movement from non-current to current accounts. Reports and queries are available and manual journal entries would have to be made.</p>

Meeting Summary

Capital Leases

Action Item (AI) No.	Date Open	Description	Action/Response
AI2.	6/21/05	Ability to sub-lease	<p>Will the system handle sub-leases?</p> <p>Response: PeopleSoft does not provide any delivered method in the AM Module to track sub-leases or revenue generation. There is a possibility that Parent/Child relationship could be used to track sub-leases but there is no way delivered functionality to recognize revenue from these sub-leases.</p>
AI3.	6/21/05	Modify leases for changes made	<p>Must we retire the lease and re-enter?</p> <p>Response:</p> <p>Leases may be modified with a cost change due to a re-evaluation. The system will re-calculate the payment schedule according to the change. An Accounting Template will have to be created for this transaction.</p> <p>Changes to the lease terms (either extended or compressed) are also accommodated without having to retire and re-enter the lease.</p>

Meeting Summary

Capital Leases

Action Item (AI) No.	Date Open	Description	Action/Response
AI4.	6/21/05	How to handle capital lease down payments	<p>Michael to research the accounting entries needed for down payments made on capital leases. Are the agencies recording principal and interest? Or are they calling it "rent"?</p> <p><u>Response:</u></p> <p>The delivered system does not have a specific place for lease down payments. This could be handled by the usage of the "Interim Rent" functionality which provides the ability to place an amount that is paid prior to the start of the lease. This amount can be capitalized and is noted as capitalized interim rent versus normal rent. Testing for practical usage will need to be done during system retrofit.</p>

Meeting Summary

Capital Leases

Action Item (AI) No.	Date Open	Description	Action/Response
AI5.	6/21/05	How to determine Fair Market Value (amortization schedule)	<p>Research to be done to determine whether system utilizes the FMV or cost when creating amortization schedule.</p> <p>Response: The system uses the fair market value to verify the lease type. The system calculates the capitalized lease amount using the lesser of the Present value of Lease Payments and Fair Market Value field values.</p> <ul style="list-style-type: none"> • If the Present value of Lease Payments is less than the fair market value, the capitalized lease amount equals the present value of the minimum lease payment • If the Present value of Lease Payments is less than the fair market value, the capitalized lease amount equals the present value of the minimum lease payment. • If the fair market value is less than the Present value of Lease Payments, the capitalized lease amount equals the fair market value. • One option is that the interest rate can be changed so that the net present value equals the fair market value. (May not be best practice for government environments). • If not fair market value is entered, the lease amount equals the present value of the minimum lease payment.

Meeting Summary

Capital Leases

Action Item (AI) No.	Date Open	Description	Action/Response
AI6.	6/21/05	Lease Hold Improvements – Can we enter ‘bargain price’?	<p>Research if we can enter a bargain price into the system.</p> <p>Response: The system will allow the entry of a Bargain Purchase Option (BPO) and/or a Bargain Renewal Option (BRO).</p> <p>Leases may be modified to take into account Lease Hold improvements. An addition to the cost due to a re-evaluation may be entered. The system will re-calculate the payment schedule according to the change. An Accounting Template will have to be created for this transaction.</p>
AI7.	6/21/05	A Change Request should be created to access the impact of implementation of proposed accounting design.	<p>Create Change Request.</p> <p>Response: A change request to access the impact will be created in Phase III.</p>

Meeting Summary

Capital Leases

Action Item (AI) No.	Date Open	Description	Action/Response														
AI8.	6/21/05	What are the delivered Lease Reports?	<p>Response: The delivered reports are:</p> <table><tr><th>Report ID and Report Name</th><th>Description</th></tr><tr><td>AMLE2000 Lease Summary Information</td><td>Lists lease summary information.</td></tr><tr><td>AMLE2100 Lease Detail Information</td><td>Lists lease detail information.</td></tr><tr><td>AMLE2200 Lease Amortization Schedule</td><td>Lists lease detail information.</td></tr><tr><td>AMLE2310 Lease Footnote Disclosure Summary</td><td>Lists all outstanding lease commitments for five years and provides the monthly lease payment and yearly totals.</td></tr><tr><td>AMLE2300 Lease Footnote Disclosure Detail</td><td>Lists all outstanding lease commitments for five years and provides the monthly lease payment and yearly totals.</td></tr><tr><td>AMLE2400 Lease Expiration</td><td>Lists all leases expiring in a certain number of days from a specified date, or leases expiring within a date range that you select.</td></tr></table>	Report ID and Report Name	Description	AMLE2000 Lease Summary Information	Lists lease summary information.	AMLE2100 Lease Detail Information	Lists lease detail information.	AMLE2200 Lease Amortization Schedule	Lists lease detail information.	AMLE2310 Lease Footnote Disclosure Summary	Lists all outstanding lease commitments for five years and provides the monthly lease payment and yearly totals.	AMLE2300 Lease Footnote Disclosure Detail	Lists all outstanding lease commitments for five years and provides the monthly lease payment and yearly totals.	AMLE2400 Lease Expiration	Lists all leases expiring in a certain number of days from a specified date, or leases expiring within a date range that you select.
Report ID and Report Name	Description																
AMLE2000 Lease Summary Information	Lists lease summary information.																
AMLE2100 Lease Detail Information	Lists lease detail information.																
AMLE2200 Lease Amortization Schedule	Lists lease detail information.																
AMLE2310 Lease Footnote Disclosure Summary	Lists all outstanding lease commitments for five years and provides the monthly lease payment and yearly totals.																
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Parking Lot items

Parking Lot Item No.	Parking Lot Items
PL1	There were no parking lot items for this session.

Meeting Summary

Capital Leases

TERMS

10K per month for 36 months
 Total payments 360K
 5% interest to find 'FMV'

CAP LEASES (only for prop agencies)

((\$333,657.01) (present value, FMV)
NOTE: This is how People Soft is designed and delivered.
 (\$1,390.24) interest on period 1

Action	Module	Account	Descr	Ledger	DR.	CR.
Initial add	AM	175001	Asset account	FL_accrual	333,657.01	
Initial add	AM	286001	Lease Obligation (non-current)	FL_accrual		333,657.01

Action	Module	Account	Descr	Ledger	DR.	CR.
Payment (period 1)	AM	716001	Cap Lease - Interest Pay- Exp	FL_accrual	1,390.24	
Payment (period 1)	AM	286001	Lease Obligation (non-current)	FL_accrual	8,609.76	
Payment (period 1)	AM	196015	Clearing Acct	FL_accrual		1,390.24
Payment (period 1)	AM	196015	Clearing Acct	FL_accrual		8,609.76
Payment (period 1)	AP	196015	Clearing Acct	FL_accrual	10,000.00	
Payment (period 1)	AP	101XXX	Cash	FL_accrual		10,000.00

Action	Module	Account	Descr	Ledger	DR.	CR.
Depreciation	AM	740001	Depreciation Expense	FL_accrual	9,268.25	
Depreciation	AM	176001	Accumulated Depreciation	FL_accrual		9,268.25
333,657.01 divided by 36 months/ SL depreciation						

Action	Module	Account	Descr	Ledger	DR.	CR.
Retirement	AM	475001	OFS proceeds disposition GFA	FL_accrual	XXX	
Retirement	AM	176001	Accumulated Depreciation	FL_accrual	XXX	
Retirement	AM	286001	Lease Obligation (if any left)	FL_accrual	XXX	
Retirement	AM	175001	Asset	FL_accrual		333,657.01

257001 is current for leases
 286001 is non-current for leases

475001 is gain/loss for "govt" OFS
 476001 is gain/loss for "govt" OFS

747001 is gain/loss of disposal of cap assets "PROP" only

Meeting Summary

Capital Leases

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CAP LEASES (only for govt agencies)

(333,657.01) (present value, FMV)
NOTE: People soft will have to be modified to come to this solution.
 (\$1,390.24) interest on period 1

Action	Module	Account	Descr	Ledger	DR.	CR.
Initial add	GL? Manual Entry?	900XXX	Full "expenditure" (not budgeted)	Actual	333,657.01	
Initial add	GL? Manual Entry?	476001	Other financing sources (rev)	Actual		333,657.01
Initial add (off-set)	GL? Manual Entry?	476001	Other financing sources	FL_accrual	333,657.01	
Initial add (off-set)	GL? Manual Entry?	900XXX	Full "expenditure" (not budgeted)	FL_accrual		333,657.01
Initial add (off-set)	GL? Manual Entry?	476001	Other financing sources	Statutory	333,657.01	
Initial add (off-set)	GL? Manual Entry?	900XXX	Full "expenditure" (not budgeted)	Statutory		333,657.01
Initial add	AM	175001	Asset account	FL_accrual	333,657.01	
Initial add	AM	286001	Lease Obligation (non-current)	FL_accrual		333,657.01

Action	Module	Account	Descr	Ledger	DR.	CR.
Payment (period 1)	AP	716001	Cap Lease - Interest Pay- Exp	Actual	1,390.24	
Payment (period 1)	AP	713001	Cap Lease - Principal Pay- Exp	Actual	8,609.76	
Payment (period 1)	AP	101XXX	Cash	Actual		10,000.00
Payment (period 1)	AM	286001	Lease Obligation (non-current)	FL_accrual	8,609.76	
Payment (period 1)	AM	713001	Cap Lease - Principal Pay- Exp	FL_accrual		8,609.76

Action	Module	Account	Descr	Ledger	DR.	CR.
Depreciation	AM	740001	Depreciation Expense	FL_accrual	9,268.25	
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Retirement	AM	176001	Accumulated Depreciation	FL_accrual	XXX	
Retirement	AM	286001	Lease Obligation (if any left)	FL_accrual	XXX	
Retirement	AM	175001	Asset	FL_accrual		333,657.01

257001 is current for leases

286001 is non-current for leases

Other things to consider.....cap lease down payment???

475001 is gain/loss for "govt" OFS

476001 is gain/loss for "govt" OFS

Meeting Summary

Capital Leases

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Definition Cost Step Lease Payment Operating Chartfields Payment Schedule

Unit: US001 Asset ID: 000000000090

Profile ID: LEASED EGT Trans Date: 06/22/2005 31

Description: Copier, High Speed Color Acctg Date: 06/22/2005 31

CAP #: Seq #: Trans Code: Currency: CAD Rate Type: CRRN

Tag Number:

Lease Information

Lease Term

Lease Term: 36 Periods Minimum Rental Payment (MRP): 1,290.69

Estimated Life: 36 Periods Minimum Lease Payments (MLP): 46,464.84

Interest Rate (%): 10.000 Present Value Lease Payments: 40,000.10

Borrowing Rate(%): Capitalized Lease Amount: 40,000.10

Payment Schedule ID: General Payment Schedule Interim Rent (Monthly): 5,000.00

Fair Market Value: 40,000.10 Capitalize Interim Rent Calculate

Guaranteed Residual Value: 0.00

☒ BPO Payment: 12,000.00 Lease Payment Type

☐ BRO Advance ☒ Arrears

☒ Transfer Ownership end lease Lease Type

☐ Step lease ☒ Capital ☐ Operating Verify

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Capital Leases

Update Lease Information - Microsoft Internet Explorer

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SAO **FSCM 8.8 SP1 DEMO** Home Worklist MultiChannel Console Add to Favorites Sign out

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Definition Cost Step Lease Payment Operating Chartfields **Payment Schedule**

Unit: US001 **Asset ID:** 000000000090 Copier, High Speed Color **Status:** In Service

Lease Book: CORP Corporate **Currency:** USD

Payment Schedule Customize Find View All First 1-8 of 36 Last

	Payment Date	Payment Total		Interest Expense	Obligation Reduction	Payment Type		
1	09/01/2003	1,290.69	CAD	333.33	957.36	N	+	-
2	10/01/2003	1,290.69	CAD	325.35	965.34	N	+	-
3	11/01/2003	1,290.69	CAD	317.31	973.38	N	+	-
4	12/01/2003	1,290.69	CAD	309.20	981.49	N	+	-
5	01/01/2004	1,290.69	CAD	301.02	989.67	N	+	-
6	02/01/2004	1,290.69	CAD	292.77	997.92	N	+	-
7	03/01/2004	1,290.69	CAD	284.46	1,006.23	N	+	-
8	04/01/2004	1,290.69	CAD	276.07	1,014.62	N	+	-

Save Return to Search Next in List Previous in List Notify Refresh

Definition Cost Step Lease Payment Operating Chartfields Payment Schedule

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Meeting Summary

Capital Leases

Update Lease Information - Microsoft Internet Explorer

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Address http://fnweb-1t.state.ga.us:60000/psp/saosand/EMPLOYEE/ERP/c/MANAGE_ASSETS.LEASE.GBL?FolderPath=PORTAL_ROOT_OBJECT.EPCO_ASSETS.EPAM_FINANCIAL_ASSETS.EPAI

SAO **FSCM 8.8 SP1 DEMO** Home Worklist MultiChannel Console Add to Favorites Sign out

New Window Help Customize Page

Definition Cost Step Lease Payment Operating Chartfields Payment Schedule

Unit: US001 **Asset ID:** 000000000090 Copier, High Speed Color **Status:** In Service

Lease Book: CORP Corporate **Currency:** USD

Asset Cost Information Customize Find First 1 of 1 Last

Quantity	Cost	Salvage Value	Category	CT
1.0000	40,000.10	0.00	USD	LME

Save Return to Search Next in List Previous in List Notify Refresh

[Definition](#) | [Cost](#) | [Step Lease Payment](#) | [Operating Chartfields](#) | [Payment Schedule](#)

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